

Message Text

UNCLASSIFIED

PAGE 01 NEW DE 05937 041556Z

51

ACTION AGR-20

INFO OCT-01 NEA-10 ISO-00 EB-11 COME-00 CIAE-00 INR-10

NSAE-00 RSC-01 TRSE-00 AID-20 DRC-01 /074 W

----- 037605

R 031425Z MAY 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1253

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 5937

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: ASSESSMENT OF INDIA'S 1974 WHEAT CROP AND THE NEW
DOMESTIC WHEAT PROCUREMENT POLICY

SUMMARY: EMBASSY OFFICER, USDA OFFICIAL, AND WHEAT
ASSOCIATES REPRESENTATIVE HAVE JUST COMPLETED A TWO-WEEK TRIP
THROUGH INDIA'S MAIN WHEAT-PRODUCING STATES, ASSESSING THE CURRENT
CROP AND GOI'S NEW WHEAT POLICY. ON THE BASIS OF THESE OBSERVATIONS,
THIS YEAR'S WHEAT CROP IS ESTIMATED AT APPROXIMATELY 22.5
MILLION TONS. TOTAL GOVERNMENT WHEAT PROCUREMENT APPEARS LIKELY TO
BE SUBSTANTIALLY BELOW LAST YEAR'S PROCUREMENT OF 4.5 MILLION METRIC
TONS. LARGER FARMERS ARE CURRENTLY HOLDING SUPPLIES IN EXPECTATION
OF HIGHER PRICES. END SUMMARY.

1. EMBASSY OFFICER AND REPRESENTATIVE FROM USDA/FAS /WASHINGTON
AND WHEAT ASSOCIATES DELHI JUST COMPLETED A TWO-WEEK TRIP THROUGH
INDIA'S MAIN WHEAT-PRODUCING STATES. ON THE BASIS OF OBSERVATIONS
AND DISCUSSIONS WITH STATE AND LOCAL OFFICIALS, GRAIN MERCHANTS
AND FARMERS, WE BELIEVE INDIA'S WHEAT PRODUCTION THIS YEAR WILL
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 05937 041556Z

BE ABOUT 22.5 MILLION TONS, COMPARED WITH 24.9 LAST YEAR.

ADDITIONALLY, RABI PULSES AND BARLEY HAVE BEEN ADVERSELY AFFECTED BY WEATHER CONDITIONS DURING THE EARLY PART OF THIS CALENDAR YEAR.

2. RABI GRAIN PRODUCTION HAS BEEN ADVERSELY AFFECTED BY VARIOUS FACTORS IN DIFFERENT AREAS. IN RAJASTHAN AND MADHYA PRADESH, WHERE IRRIGATION AND FERTILIZER USE IS LESS EXTENSIVE, THE MAIN REASONS FOR REDUCED GRAIN OUTPUT WERE LACK OF WINTER RAINS AND UNUSALLY COLD WEATHER IN JANUARY/FEBRUARY. IN MORE ADVANCED AREAS OF PUNJAB, HARYANA AND WESTERN UTTAR PRADESH, WHERE IRRIGATION IS COMMON, A SHORTAGE OF FERTILIZER AND INADEQUATE POWER TO OPERATE IRRIGATION PUMPS WERE MORE IMPORTANT FACTORS IN REDUCING OUTPUT. RUST DAMAGE WAS LIMITED DUE LARGELY TO EARLY SOWINGS AND RELATIVELY COOL SPRING WEATHER.

3. WHEAT ACREAGE, WHICH HAS BEEN INCREASING DURING THE LAST FIVE YEARS AT AN AVERAGE RATE OF ALMOST ONE MILLION HECTARES A YEAR, IS EXPECTED TO BE UP ONLY marginally ABOVE LAST YEAR IN SPITE OF THE EXCELLENT SOWING CONDITIONS LAST FALL. THIS APPEARS TO BE DUE PRIMARILY TO THE UNCERTAINTY AMONG FARMERS OVER WHAT THE PROCUREMENT PRICE AND POLICY WOULD BE FOR THIS YEAR'S WHEAT CROP, THE DIMINISHING AVAILABILITY OF ADDITIONAL LAND WITHOUT FURTHER INCREASES IN IRRIGATED AREAS, AND INCREASING RETURNS TO THE FARMER FROM OTHER CROPS.

4. THE GOVERNMENT'S NEW WHEAT PROCUREMENT POLICY IS JUST BEING IMPLEMENTED BY THE STATE GOVERNMENTS WHICH ARE ADDING SOME INDIVIDUAL VARIATIONS. IN GENERAL, RAJASTHAN, MADHYA PRADESH, UTTAR PRADESH, PUNJAB, AND HARYANA STATES (CONSIDERED TO BE SURPLUS IN WHEAT PRODUCTION), WILL REQUIRE THAT 50 PERCENT OF THE WHEAT PURCHASES IN REGULATED MARKETS BY LICENSED GRAIN MERCHANTS BE TURNED OVER TO THE GOVERNMENT AT RS 105 PER QUINTAL. LICENSED GRAIN MERCHANTS INCLUDE PRIMARILY PRIVATE GRAIN TRADERS, FLOUR MILLERS AND STATE COOPERATIVE MARKETING FEDERATIONS. ALL ARE REQUIRED TO TURN OVER 50 PERCENT OF THEIR PURCHASES (WHICH MUST BE MADE IN REGULATED MARKETS) TO THE CENTRAL GOVERNMENT.

5. IN STATES OTHER THAN THE FIVE MENTIONED ABOVE (I.E. THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 05937 041556Z

WHEAT DEFICIT STATES), A LEVY WILL NOT BE REQUIRED ON MARKET PURCHASES, ALTHOUGH INDIVIDUAL STATES MAY DECIDE TO IMPOSE A LEVY ON THE WHEAT PRODUCERS. GOVERNMENT AGENTS IN ALL STATES WILL CONTINUE TO BUY WHEAT OFFERED BY THE FARMER AT THE PROCUREMENT PRICE OF RS 105 PER QUINTAL.

6. ALTHOUGH NO TARGET HAS BEEN SET FOR WHEAT PROCUREMENT, GOI OFFICIALS INITIALLY TALKED IN TERMS OF PROCURING FIVE TO SEVEN

MILLION METRIC TONS. MORE RECENTLY, HOWEVER, GOI OFFICIALS ARE SAYING PRIVATELY THAT THEY WOULD BE HAPPY WITH A FIVE MILLION TON PROCURENT. WITH AN EXPECTED LOWER WHEAT CROP THIS YEAR AND THE SCRAPPING OF LAST YEAR'S MONOPOLY PROCUREMENT POLICY, WE EXPECT GOVERNMENT PROCUREMENT OF WHEAT THIS YEAR COULD BE AS LOW AS THREE MILLION TONS COMPARED TO LAST SEASON'S 4.5 MILLION TONS. ALLOWING THE FLOUR MILLERS TO PURCHASE WHEAT IN THE MARKET, HOWEVER, WIL LESSEN DEMAND AGAINST GOVERNMENT SUPPLIES.

7. WHILE THE BULK OF THE WHEAT CROP HAS BEEN CUT AND THRASHING OPERATIONS ARE WELL UNDERWAY, GOVERNMENT PROCUREMENT HAS GOTTEN OFF TO A SLOW START. THIS IS PARTLY DUE TO PROBLEMS OF DEVELOPING AND IMPLEMENTING THE NEW MARKETING REGULATIONS. ADDITIONALLY, WHOLE-SALE WHEAT PRICES ARE AVERAGING ONLY SLIGHTLY ABOVE RS 105 PER QUINTAL IN THE MAJOR SURPLUS AREAS OF HARYANA AND PUBJAB. THE LARGER FARMERS ARE WITHHOLDING THEIR WHEAT FROM THE MARKET IN EXPECTION OF HIGHER PRICES.

8. MOVEMENT OF WHEAT ACROSS STATE BORDERS IS CONTROLLED BY EXPORT PERMITS GRANTED BY STATE AUTHORITIES AFTER THE DELIVERY OF THE 50 PERCENT LEVY TO THE GOVERNMENT. AS OF MAY 1, THE MAIN EXPORTING STATES OF PUNJAB, HARYANA, AND UTTAR PRADESH HAD NOT STARTED ISSUING EXPORT PERMITS. WHOLESALERS IN THESE STATES GENERALLY HAVE A WHEAT STOCK CEILING OF 250 TONS AND THE MARKETING POTENTIAL WITHIN THSE SURPLUS AREAS IS LIMITED. TRADERS, THEREFORE, MUST DEPEND ON EXPORTING TO OTHER STATES. UNTIL THE EXPORT POLICY IN THESE STATES IS CLARIFIED, PURCHASES IN THESE MARKETS WILL CONTINUE TO LAG.MOYNIHAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, AGRICULTURAL PRODUCTION, POLICIES, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE05937
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740108-0289
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740576/aaaacqgn.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 18 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 OCT 2002 by MorefiRH>; APPROVED <03 JAN 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ASSESSMENT OF INDIA'S 1974 WHEAT CROP AND THE NEW DOMESTIC WHEAT PROCUREMENT POLICY
TAGS: EAGR, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005